

Please note – these Minutes have been edited to remove any commercially sensitive or confidential discussions

ITEM 2

MELVILLE HOUSING ASSOCIATION LIMITED

Minute of the Audit Committee Meeting held on Monday 14 January 2019 at 6.00pm in the Board Room, Corn Exchange, 200 High Street, Dalkeith

PRESENT: Glen Alexander (via Telephone)
Donna Bogdanovic
Robert Jack
Clare Marshall

IN ATTENDANCE: Andrew Noble, Chief Executive
Morag MacDonald, Chief Operating Officer
Euan Morrison, Chiene + Tait
Mary Monteith, PA to Chief Executive (Minute)

G ALEXANDER IN THE CHAIR

1a OPENING REMARKS

The Chief Executive advised that as this is the first meeting since the Annual General Meeting in September, a new chair needed to be elected. Andrew explained that Glen Alexander had indicated that he was willing to continue as Chair and this was approved by all present. Andrew then handed the meeting over to Glen.

**Action
Required**

The Chair thanked members and welcomed everyone to the meeting, especially the representative from Chiene + Tait.

Note

1b DECLARATION OF ANY OTHER COMPETENT BUSINESS

Noted that there were no items of any other business to be raised.

Note

1c	DECLARATION OF INTEREST	Action Required Note
	<u>Noted</u> that the Chief Executive and Chief Operating Officer declared that they are Directors of Ironmills Development Ltd.	
1d	APOLOGIES	Note
	<u>Noted</u> that apologies were received from Caron Quinn and Paul Cameron.	
2	MINUTE FROM PREVIOUS MEETING 30 JULY 2018 AND MATTERS ARISING	
2.1	<u>Noted</u> that the Chair took members through the minutes and these were approved by Glen Alexander and seconded by Donna Bogdanovic	Approve
	Matters Arising	
2.2	There were no matters arising from the previous meeting.	Note
3	NOTIFIABLE EVENTS	
3.1	<u>Noted</u> that as reported, we have no notifiable events.	Note
3.2	<u>Noted</u> that the Chair asked members if they were aware of any other notifiable events. Members confirmed that there were no other notifiable events that they were aware of.	Note
3.3	<u>Noted</u> that new Guidance was due to be circulated in March 2019 to tie in with the new SHR Framework. The Chief Executive noted that this guidance will be will in the Document Library in VBR when it's published.	MM to action when published
3.4	The Audit Committee noted the contents of this report.	Note
4	EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2019	
4.1	<u>Noted</u> that the representative of Chiene + Tait advised that the audit would follow a similar format to previous years and gave a brief explanation of the audit approach, and highlighted the following:	Note

	Action Required
<ul style="list-style-type: none"> ▪ No separate audit will be carried out for Ironmills Developments Ltd (due to the size of the subsidiary) Limited testing will be performed to provide appropriate assurances and figures will be included in the consolidated financial statements ▪ Data Analytic software will be used during audit to interrogate the financial data of the Association. <p>4.2 <u>Noted</u> that he continued by highlighting a number of the main business risks including:</p> <ul style="list-style-type: none"> ▪ Ongoing impact of welfare reform ▪ Existence, ownership and valuation of housing stock ▪ Completeness of provisions and liabilities for Newbyres Carbon Dioxide incident ▪ Completeness of development expenditure ▪ Fraud including management override 	Note
<p>4.3 <u>Noted</u> that the Chief Executive took the opportunity to update the Committee on the current situation at Newbyres.</p> <ul style="list-style-type: none"> ▪ Initial testing with fans in 4 empty properties and one unoccupied control house have proved to be very successful. ▪ Now using less fans – 1 for block of four and have switched on heating to see how this affects the results. ▪ We are also working towards live testing – in occupied properties. ▪ Long term goal would be to have these fans in all properties in the development. 	Note
<p>4.4 <u>Noted</u> that the Property Manager explained to the members that we have not experienced a real drop in pressure which equals more carbon dioxide coming out the ground. It was confirmed that there was a spike in the readings during the summer heatwave.</p>	Note

		Action Required
4.5	Noted that it was pointed out that the audit team will have Chiene and Tait staff who have previous experience of Melville.	Note
4.6	Noted that he also noted that the Partner heading the audit team, has had a long association with us and in light of this, the audit work will be reviewed by a second audit partner.	Note
4.7	Noted that the Auditor advised that the fee proposal for this year has reduced slightly as a result of not carrying out a separate Ironmills audit.	Note
4.8	The Audit Committee noted the contents of this report and approved the Audit Plan	Note Approve
5.	MEETING IN PRIVATE WITH EXTERNAL AUDITOR	
5.1	Noted that in line with good practice, staff members left the meeting to allow audit committee members to meet in private with the external auditor.	Note
6.	FIRE SAFETY REPORT	
6.1	Noted that the Property Manager explained that the report was self explanatory and he would be happy to take questions on it.	Note
6.2	Noted that we had worked closely with Fire Service regarding safety in our blocks	Note
6.3	Noted that the External Wall Insulation on both properties with serious fires behaved exactly as we expected – melted rather than fire spread.	Note
6.4	Noted that the Property Manager was asked if our dual alarms were interlinked. He confirmed that they were.	Note
6.5	Noted that Martin reported that we currently carry out electrical testing on our properties when there is a tenancy change or significant alterations have been made. He noted that the proposed changes to electrical testing will see testing required in all properties every 5 years (400 properties per	Note

	year). This work will be tendered for, and a contractor in place for April 2019.	Action Required
6.6	Noted that a member commented that they were reassured by this report but a little surprised about the situation with the external fire doors. It was agreed that it was not an ideal situation but pointed out that we do check the fire alarms in stairwells regularly.	Note
6.7	Noted that the Chair asked members if they were happy to see the risk level remain as medium – this was agreed.	Note
6.8	Noted that the Chief Operating Officer was asked what the financial impacts of the changes in legislation for the Electrical and Detector works would be. It was noted that it was approx £87k and this has been costed in the Budget Report being presented to the Board at the January meeting.	Note
6.9	Noted that another member asked about electrical work during upgrade works and was advised that we have started installing heat detectors whilst upgrading kitchens.	Note
6.10	Noted that when asked about funding assistance for the additional work required, the Chief Executive explained that it was likely to be the Scottish Government in the form of a loan (similar to the HEEPS funding).	Note
6.11	The Audit Committee noted the content of this Report	Note

The Committee decided that they would take Items 7 and 8 together

7. IT – PENETRATION TEST AND DISASTER RECOVERY

Penetration

7.1	Noted that the Chief Executive reminded members that our internal auditors recommended that we commission an external agency to carry out penetration to identify any weaknesses in our system visible through the internet.	Note
7.2	Noted that this report detailed the actions that were taken to	Note

<p>resolve the following issues that were identified following penetration testing carried out on 10 and 11 October:</p> <ul style="list-style-type: none"> ▪ 1 vulnerability classed as High Risk ▪ 4 Medium Risk ▪ 3 Low Risk 	<p>Action Required</p>
<p>7.3 <u>Noted</u> that it was advised that the high risk issue related to one of our servers which had been set up in April 2018 as a copy of another server for testing to be carried out on an upgrade of our Housing Server in preparation for GDPR. Following testing this server had been shut down, but it had been powered back up on 1st October. When the results of the vulnerability test were advised, action was taken and this server was immediately shut down on 11 October 2018.</p>	<p>Note</p>
<p>7.4 <u>Noted</u> that our IT consultants were in the office for 3 days in December 2018 to work on the Medium and Low issues identified.</p>	<p>Note</p>
<p>7.5 <u>Noted</u> that some of our software is coming to the end of it's life and we are looking at a rolling plan of upgrades.</p>	<p>Note</p>
<p>7.6 <u>Noted</u> that the Chief Executive reported that penetration testing will be an annual event and whilst we will use the same company this year, in line with best practice, we will look to move to a new company next year.</p>	<p>Note</p>
<p>8.0 Disaster Recovery</p>	
<p>8.1 <u>Noted</u> that the Chief Executive explained how our Disaster Recovery as a Service system. He also pointed out that this system is tested monthly by our IT consultants.</p>	<p>Note</p>
<p>8.2 <u>Noted</u> that the Chief Executive and Finance Manager carried out off site testing (from their homes) on 4 January and were very reassured by how the system performed – and they felt confident that we would be able to invoke the system if the need arose.</p>	<p>Note</p>
<p>8.3 <u>Noted</u> that the meeting discussed this system and members were given example of when the system would be invoked – i.e.</p>	<p>Note</p>

	office fire etc. It was pointed out that we have a high level Disaster Recovery Plan which is being updated but it would be anticipated that staff would work from home in the event of any crisis.	Action Required
8.4	The Audit Committee noted the content of both of these reports.	Note
9.	RISK MANAGEMENT	
9.1	Noted that it was pointed out that no new risks have been added to the risk map, although more has been added regarding IT security/data loss.	Note
9.2	Noted that Members were also told that we have changed the way we work in the office with a clear desk policy for staff introduced, computer screens locking automatically if left unattended, secure printers introduced where staff need to use a pin number to print and the rolling out of Last Pass - password security vault. It was noted that staff are also given regular updates on IT security.	Note
9.3	The Audit Committee noted the contents of this report	Note
10.	POLICY REGISTER	
10.1	Noted that members asked about the progress on the Mentor Handbook that would replace the employment policies. It was explained that we have a draft of the handbook but that we need to await the outcome of the consultation on terms and conditions to finalise it. It is hoped that this will be available late Spring.	CE to progress
10.2	The Audit Committee noted the contents of the updated policy register.	Note
11.	REGISTERS	
11.1	Noted that there had been the following entries in the registers since the last meeting of the Audit Committee:	Note
	<ul style="list-style-type: none"> ▪ 14 items recorded in the Entitlements, Payments and 	

	Benefits Register	Action Required
	▪ 1 entry in Declaration of Personal Interest Register	
11.2	<u>Noted</u> that there have been no entries to any of the other registers since the last Audit Committee meeting.	Note
11.3	<u>Noted</u> that registers were signed following the meeting.	Note
12.	ANY OTHER COMPETENT BUSINESS	
12.1	<u>Noted</u> that there was no Other Competent Business.	Note
13.	DATE OF NEXT AUDIT COMMITTEE MEETING	
13.1	<u>Noted</u> that the next Audit Committee meeting will be held on 11 March 2019.	Note